

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 L-03 H-02 AGRE-00
HEW-06 OES-07 /112 W

-----085477 071214Z /43/10

R 070430Z JUL 77

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 8784

AMEMBASSY NEW DELHI

UNCLAS SECTION 1 OF 2 KATHMANDU 2782

C O R R E C T E D C O P Y T E X T

E.O. 11652: N/A

TAGS: EFIN, EAID

SUBJ: GON BUDGET FOR 1977/78

1. SUMMARY: FINANCE MINISTER BHEKH THAPA ON JULY 4 ANNOUNCED THE GON BUDGET ESTIMATES FOR FY 1977/78(JULY77-JULY78). TOTAL ESTIMATED EXPENDITURES ARE RS 3087 MILLION (\$247 MILLION), A 30 PERCENT INCREASE OVER THE PREVIOUS YEAR'S REVISED ESTIMATE. OF THIS TOTAL, RS. 2149 MILLION OR 70 PERCENT ARE CLASSIFIED AS DEVELOPMENT EXPENDITURES, IN COMPARISON WITH 64 PERCENT IN FY 76/77. GOVERNMENT REVENUES ARE EXPECTED TO BE RS. 1725 MILLION, UP 31 PERCENT. THE DEFICIT IS TO BE FINANCED BY FOREIGN GRANTS WORTH RS. 506 MILLION, FOREIGN (CONCESSIONAL) LOANS OF RS. 615 MILLION, AND INTERNAL LOANS OF RS. 242 MILLION. END SUMMARY.

2. SUMMARY OF THE BUDGET PRESENTATION IS AS FOLLOWS
(IN MILLION OF RUPEES):

1975/76 1976/77 1977/78

(ACTUAL) (REVISED (ESTIMATES)
ESTIMATE)

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EXPENDITURE 1913 2372 3087
REGULAR (674) (861) (938)
DEVELOPMENT (1239) (1511) (2149)

FINANCING

REVENUE 1116 1321 1725

FOREIGN AID	506	592	1121
INTERNAL			
BORROWING	200	300	242
DEFICIT	92	158	-

PREOCCUPATION WITH DEVELOPMENT ACTIVITIES CONTINUES TO BE EVIDENT IN THE FY1977/78 BUDGET, AS IS EVIDENCED BY A 30 PERCENT INCREASE FOR DEVELOPMENT VERSUS 9 PERCENT FOR REGULAR EXPENDITURES. THE INCREASE IN DEVELOPMENT EXPENDITURE WILL IN THE EVENT PROBABLY NOT BE QUITE SO SHARP AS INDICATED BY THE BUDGET FIGURE. (IN THE PAST THREE YEARS THE SHORTFALL OF ACTUAL UNDER ESTIMATED DEVELOPMENT EXPENDITURE HAS BEEN AT AROUND 15 PERCENT) HOWEVER, IT IS CLEAR THAT THE BULK OF ADDITIONAL RESOURCES IS BEING PUT INTO DEVELOPMENT. DESPITE RHETORIC IN THE CONTEXT OF THE 5TH FIVE-YEAR PLAN ABOUT PRIMARY EMPHASIS ON THE IMMEDIATELY PRODUCTIVE SECTORS, THE TRANSPORTATION AND COMMUNICATIONS ALLOCATION REMAINS STUBBORNLY HIGH, AND CONSUMES ALMOST A QUARTER OF THE DEVELOPMENT BUDGET. NEVERTHELESS, AGRICULTURE (INCLUDING LAND REFORM) CONTINUES TO COMMAND THE LION'S SHARE OF BUDGETARY INCREASES, DUE IN PARTICULAR TO ALLOCATIONS TO IRRIGATION PROJECTS. A BREAKDOWN OF THE REGULAR AND DEVELOPMENT ALLOCATIONS FOLLOWS (IN MILLIONS OF RUPEES):

	1975/76	1976/77	1977/78
			(REVISED (ESTIMATES))

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	ESTIMATE)		
REGULAR	674	861	938
A. GENERAL ADMINISTRATION		127	152 177
B. ECONOMIC SERVICES		72	95 105
C. SOCIAL SERVICES		141	140 161
D. DEFENSE & POLICE		208	244 265
E. DEBT SERVICING		64	97 137
F. OTHER	61	133	94
DEVELOPMENT	1239	1511	2149
A. AGRICULTURE	328	384	532
B. FOREST	37	46	92
C. INDUSTRY & MINING		114	140 153
D. POWER	49	79	280
E. TRANSPORTATION & COMMUNICATIONS	346	402	502
F. EDUCATION	152	179	204
G. HEALTH	93	75	117
H. PANCHAYAT	30	50	97
I. OTHER	90	155	174

3. THE ROLE OF FOREIGN AID IN THE BUDGET HAS INCREASED SHARPLY,

BOTH ABSOLUTELY AND IN RELATIVE TERMS. FROM A RANGE OF AROUND
40 PERCENT IN THE PAST FEW YEARS, EXPECTED FOREIGN AID IN
1977/78 IS TO FINANCE 52 PERCENT OF THE DEVELOPMENT
BUDGET. WHILE SOME BILATERAL DONORS ARE ALSO
INCREASING THEIR AID SUBSTANTIALLY, THE GREATEST PROPORTION OF
THE INCREASE IS TO COME FROM MULTILATERAL DONORS. IT IS ALSO
OF INTEREST TO NOTE THE GROWING ROLE OF LHLJNS AS OPPOSED TO
GRANTS IN THE COMPOSITON OF FORIENG AID (MILLIONS OF RUPEES):

FY75/76 FY76/77 FY77/78
(ACTUALS) (REVISED (ESTIMATES)
ESTIMATE)

FOREIGN GRANTS: 360 386 506
BILATERAL TCC 308 314 395
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MULTILATERAL 52 72 111
FOREIGN LOANS 146 206 615
BILATERAL 23 29# '770
MULTILATERAL 123 178 445

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 L-03 H-02 AGRE-00
HEW-06 OES-07 /112 W
-----081307 070549Z /10

R 070430Z JUL 77
FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 8785
AMEMBASSY NEW DELHI

UNCLAS SECTION 2 OF 2 KATHMANDU 2782

4. ON THE INTERNAL RESOURCES SIDE, THE BUDGET PROJECTS A
30.5 PERCENT INCREASE IN REVENUE. THIS MAY PROVE OVERLY
OPTIMISTIC, AND THE FINANCE MINISTER IN HIS PRESENTATION

FRANKLY STATED THAT THE PRESENT TAX STRUCTURE SEEMS TO HAVE REACHED A LIMIT IN ITS ABILITY TO SQUEEZE MORE BLOOD OUT OF THE TURNIP. ALTHOUGH THERE ARE NO MAJOR CHANGES IN THE COMING YEAR'S TAX STRUCTURE IN TERMS OF IMPCT ON AGGREGATE REVENUE, TWO PROSALS ARE NOTABLE IN TERMS OF POLICY. ONE IS THE REDUCTION OF THE LAND TAX BY 50 PERCENT FOR SMALL FARMERS (THOSE WITH UNDER 1.6 ACRES). THE OTHER IS THE EXTENSION OF THE PANCHAYAT DEVELOPMENT & LAND TAX (INTRODUCED LAST YEAR AS ON EXPERIMENT IN A FEW EASTERN TERA DISTRICTS) THOURGHOUT THE COUNTRY OVER A 5 YEAR PERIOD. THE ESSENTIAL FEATURES OF THIS TAX ON AGRICULTURAL INCOME IS THT IT IS PAID DIRECTLY TO THE DISTRICT PANCHAYAT FOR LOCAL DEVELOPMENT WORKS, AND THAT WHERE ITHAS BEEN INTRODUCED THE PREVIOUS CENTRALLY-COLLECTED AGRICULTURAL INCOME TAX IS ELIMINATED, AND CENTRA GRANTS-IN-AID TO THE CONCERNED PANCHAYAT ARE NEDED. THE BREAKDOWN OF REVENUE ESTIMTES IS (MILLION OF RUPEES):

NM FY75/76 FY76/77 FY77/78
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	(ACTUALS)	REVISED	(ESTIMATES)
	ESTIMATE)		
TAX REVENUE	911	1088	1334
A. CUSTOMS	359	390	476
B. EXCISE	324	428	519
C. LAND TAX	134	135	161
D. INCOME & PROPERTY	94	135	178
NON-TAX REVEVE	205	233	391
B. DIVIDENTS, INTREST &			
LOAN RECOVERIES	126	105	148
C. OTHER	20	31	81
EAVES			

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, ECONOMIC ASSISTANCE
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770247-0911, D770240-0903
Format: TEL
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Handling Restrictions: n/a
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Line Count: 207
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1940537
Secure: OPEN
Status: NATIVE
Subject: GON BUDGET FOR 1977/78
TAGS: EFIN, EAID, NP, US
To: STATE NEW DELHI
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/fb66a66f-c288-dd11-92da-001cc4696bcc
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